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FISCAL IMPACT STATEMENT

LS 7511

BILL NUMBER: HB 1601

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Lottery Funded Tuition Scholarships.

FIRST AUTHOR: Rep. Reske

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		200,000	200,000
Net Increase (Decrease)		(200,000)	(200,000)

Summary of Legislation: This bill creates a tuition scholarship program for students who enroll in Ivy Tech or the community college program. It appropriates \$200,000 from the Build Indiana Fund for each of three years.

Effective Date: July 1, 2003.

Explanation of State Expenditures: Although this bill makes an appropriation for a new Technical Scholarship Program from the Build Indiana Fund (BIF) during the 2003-05 biennium, it is unknown when funds would be available for this Program. If state and local capital projects receiving appropriations in the 2001-03 Biennial Budget (P.L. 291-2001) are given priority when money is available in the BIF, sufficient revenue likely will not be available in the BIF to allow for spending on the Technical Scholarship Program during the 2003-05 biennium. Based on current estimates, revenue available in the BIF after the statutorily required transfer to the Motor Vehicle Excise Tax Replacement Account (MVETRA) is expected to total only \$13.8 M in FY 2004 and FY 2005. Currently, however, there are \$242.5 M in appropriations for state and local capital projects under the 2001-03 Biennial Budget that are suspended and have yet to be allotted

money from the BIF. Totals for FY 2006 are, at this time, projected to be the same as in FY 2004 and FY 2005.

The bill creates the Technical Scholarship Program Fund to encourage and promote qualified individuals in pursuing training at Ivy Tech College and the Community College. The program would be administered by the State Student Assistance Commission and expenses of administering the fund would be paid from the fund. The maximum scholarship is the lesser of \$2,500 or the balance of the student's total cost of tuition or fee. To initially qualify a technical student must:

1. be admitted to an approved institution of higher learning as a full-time or part-time student;
2. be a resident of Indiana for a period of two (2) years;
3. have graduated from a public high school within the past eighteen (18) months;
4. have graduated with a minimum grade point average of 2.0 on a 4.0 grading scale;
5. agree, in writing, to work in Indiana for at least two (2) years following graduation;
6. meet income eligibility requirements established at two hundred fifty percent (250%) of the federal poverty level;
7. complete a free application for federal student aid (FAFSA) form for the current year;
8. be admitted and stay enrolled as a full-time student at an approved institution of higher learning; and
9. maintain full-time enrollment status of between twelve (12) and fifteen (15) hours per semester or twenty-four (24) and thirty (30) hours per year.

Background on the Build Indiana Fund (BIF): Resources Available to BIF - The Build Indiana Fund (BIF) receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. Beginning in FY 2003, the total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at \$250 M. (This is because current statute limits the annual distribution of Riverboat Wagering Tax revenue at an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year.)

Distributions from BIF - Under current statute, \$236.2 M annually must be transferred from BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in BIF after the MVETRA transfer is available for state and local capital projects. However, the 2001-03 Biennial Budget (P.L. 291-2001) requires transfers of \$200 M in FY 2002 and \$175 M in FY 2003 from BIF to the Property Tax Replacement Fund (PTRF). In addition, the State Board of Finance (on April 8, 2002) approved an additional transfer of \$247.3 M from BIF to the state General Fund during FY 2002. As a result, appropriations for capital projects during the current biennium totaling \$242.5 M are suspended, and the balance in BIF has declined from \$347.3 M on July 1, 2001, to \$16.0 M on June 30, 2002. The \$175.0 M transfer from BIF to PTRF for FY 2003 was made by the State Budget Agency on August 13, 2002. Consequently, the remaining resources in BIF during FY 2003 are expected to fund only \$92.0 M of the required \$236.2 M MVETRA transfer. As required under current statute, the \$144.2 M shortage will be paid from the state General Fund. Ultimately, this is expected to leave no money in BIF to fund state and local capital projects during FY 2003. The amount available for state and local capital projects is estimated to total about \$13.8 M each year in FY 2004 and FY 2005. The table below contains actual and projected BIF

revenue and spending totals for FY 2001 to FY 2005.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	FY 2001 (Actual)	FY 2002 (Actual)	FY 2003 (Projected)	FY 2004 (Projected)	FY 2005 (Projected)
Beginning Balance in BIF	\$324.2	\$347.3	\$16.0	\$0.0	\$0.0
Surplus Lottery Revenue in Adm. Trust Fund	\$160.0	\$166.1	\$166.1	\$166.1	\$166.1
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
Surplus Lottery Revenue to BIF	\$100.0	\$106.1	\$106.1	\$106.1	\$106.1
Surplus Gaming Revenue to BIF	\$268.2	\$292.5	\$143.9	\$143.9	\$143.9
Interest	\$26.9	\$13.7	\$1.0	\$0	\$0
Total Resources in BIF	\$719.3	\$759.6	\$267.0	\$250.0	\$250.0
MVETRA Transfer**	(\$234.7)	(\$236.2)	(\$92.0)	(\$236.2)	(\$236.2)
PTRF Transfer^	\$0	(\$200.0)	(\$175.0)	\$0	\$0
GF Transfer^^	\$0	(\$247.3)	\$0	\$0	\$0
Amount Available for State & Local Capital Projects*^	\$484.6	\$76.1	\$0	\$13.8	\$13.8
Amount Allotted to State & Local Capital Projects*^	\$137.3	\$60.1			

*Updated 10/18/02.

**The required transfer from BIF to MVETRA in FY 2003 is \$236.2 M. The \$144.2 M shortage is to be paid from the state General Fund.

^Transfers required under 2001-03 Biennial Budget (P.L. 291-2001).

^^Transfer approved by the State Board of Finance on April 8, 2002.

*^Actual totals in FY 2001 and FY 2002.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Ivy Tech College, Community College, State Student Assistance Commission.

Local Agencies Affected:

Information Sources: Bob Lain, State Budget Agency, (317) 232-3471; Mike Frick, Office of State Treasurer, (317) 232-6260.

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